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Flow of foreign loans on the decline

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Bangladesh has continued to witness a decline in the inflow of foreign loans as it has yet to accelerate the implementation of development projects.

In the first eight months of the current fiscal year (FY) 2024-25, the country, which has been facing a foreign exchange crisis for the past three years, was able to secure $4.13 billion in foreign loans.

This was 17 percent less than in the same period a year ago.

On the other hand, the government's debt servicing has surged, according to the latest data released by the Economic Relations Division (ERD) yesterday.

Bangladesh repaid $2.63 billion in debt during the July-February period of FY25, up 29 percent year-on-year.

In comparison, the country repaid $2.03 billion in the same period a year ago.

As a result, the net foreign loan inflow slumped by 49 percent year-on-year to $1.5 billion in the first eight months of FY25.

The issue has been compounded by sluggish revenue collection, raising concerns about the government's increased reliance on bank borrowing to finance the budget.

Tax collection grew by only 1.76 percent in the July-February period of FY25.

In light of the current forex reserve situation, the Centre for Policy Dialogue (CPD) earlier this week stated that the government should prioritise the implementation of all annual development programme (ADP) projects funded by foreign loans.

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Bangladesh underperforms in zero-duty trade with China

REFAYET ULLAH MIRDHA

Bangladesh has hardly been able to utilise the generous zero-duty trade benefits offered by China due to a lack of product diversity, whereas Chinese imports have steadily risen, given the country's increasing reliance on a single sourcing destination.

China has been the single largest trading partner for Bangladesh for many years, but imports from the country have far outweighed exports, with shipments from Bangladesh failing to cross even the one billion-dollar mark.

In the July-December period of the current fiscal year, Bangladesh imported goods worth $8.89 billion and exported goods worth $461.05 million, according to data from the Bangladesh Bank (BB) and Export Promotion Bureau (EPB).

In the previous fiscal, the total import value from China was $16.63 billion whereas exports amounted to just $715.37 million.

According to economists and business leaders, during Chief Adviser Professor Muhammad Yunus' upcoming visit to China, Bangladesh should hold negotiations to attract more Chinese investment in Bangladesh and minimise the trade gap.

A major factor behind the rise in imports is the fact that Bangladesh relies heavily on China for textile articles such as yarn and fabrics, especially man-made fibres and fabrics, which account for over 40 percent of total Chinese imports by Bangladesh.

Capital machinery makes up nearly a quarter of imports, accounting for 24 percent. Other imports include cotton, food items and other materials.

On the other hand, Bangladesh's main export items to China are garments although China itself is the largest apparel exporter in the world, boasting a global market share of over 31 percent.

The Chinese garment sector, which includes goods for export purposes and domestic consumption, is worth around $750 billion. Of that, China's domestic consumption is nearly $350 billion.

However, China annually imports merely $10 billion worth of garment items from all over the world. So, Bangladesh's opportunity to export more to China is very low, especially as the country lacks a range of diversified products.

"We need to bring more Chinese investment in export-oriented sectors here, especially in the man-made fibre sector. This way, goods produced here can be exported to China and help reduce the trade gap between the two countries," said Abdur Razzaque, chairman of Research and Policy Integration for Development (RAPID).

Efforts should also be made to try and allure Chinese entrepreneurs to relocate their factories to Bangladesh as there are ample opportunities for investment, not only in man-made fibres but also in sectors such as leather and leather goods, solar panels, semiconductors and microchips, Razzaque added.

Currently, Chinese investment in Bangladesh is mainly confined to infrastructure projects, he said, suggesting a regular joint trade and investment fair to promote business between the two countries.

He also suggested that ongoing negotiations to sign a free trade agreement (FTA) between Bangladesh and China be reframed as a free trade and investment agreement.

EPB Vice-Chairman Anwar Hossain said a lot of Chinese entrepreneurs have been inquiring about investing in Bangladesh after Donald Trump came to power in the US and hiked duties on Chinese shipments to 35 percent.

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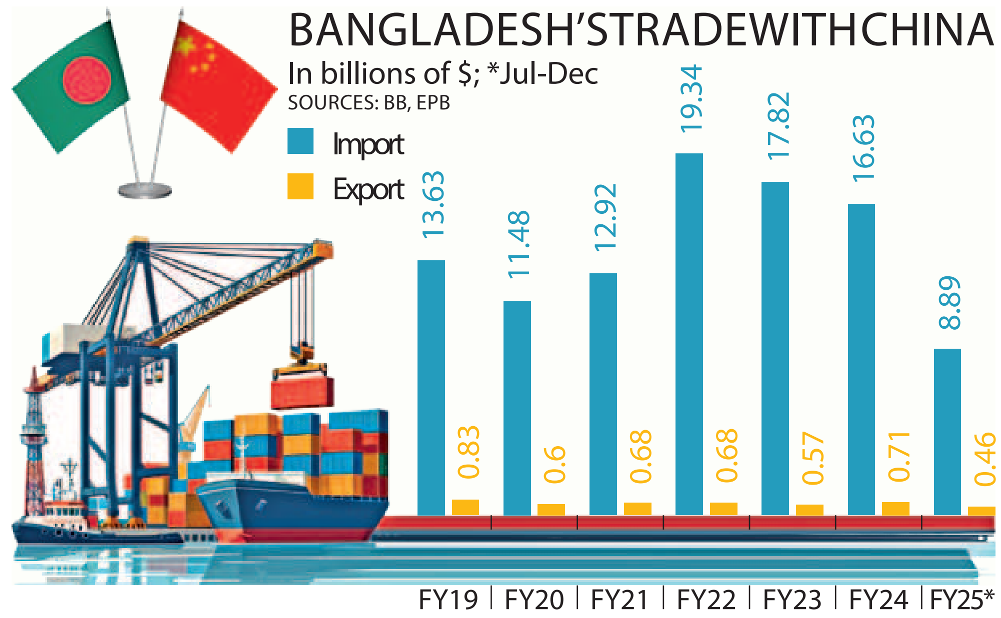

Poverty rises sharply in multiple districts

BIDS study finds

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Bangladesh is witnessing a concerning rise in poverty, leading to worsening food insecurity, according to a recent study by the Bangladesh Institute of Development Studies (BIDS).

The report highlights a sharp increase in poverty rates across multiple districts between 2022 and 2024, with food insecurity reaching alarming levels.

However, the BIDS could not identify the actual reason for the rise in poverty and worsening food insecurity, as the study was perception-based.

"The proportion of poor households increased to 26.43 percent in 2024 from 24.73 percent in 2022," said Mohammad Yunus, research director of the BIDS.

"...while the proportion of the extreme poor also rose from 6.06 percent to 6.63 percent during the same period," he said.

He made the comments while presenting a keynote on the findings of the study titled "Small area estimates of poverty 2022: trends and disparities in selected districts, 2024" at the BIDS conference room in Dhaka yesterday.

The BIDS study, conducted in collaboration with World Food Programme (WFP), found that the poverty headcount ratio has increased in key regions.

The highest poverty rates were recorded in Bandarban, Rangpur, and Sylhet. In Dhaka, while the overall poverty rate is lower, there has been a significant deterioration in perceptions of economic conditions among residents.

Urban areas witnessed a sharper rise in extreme poverty, reaching 8.16 percent in 2024, compared to 7.98 percent in 2022, whereas rural extreme poverty increased from 4.94 percent to 5.75 percent.

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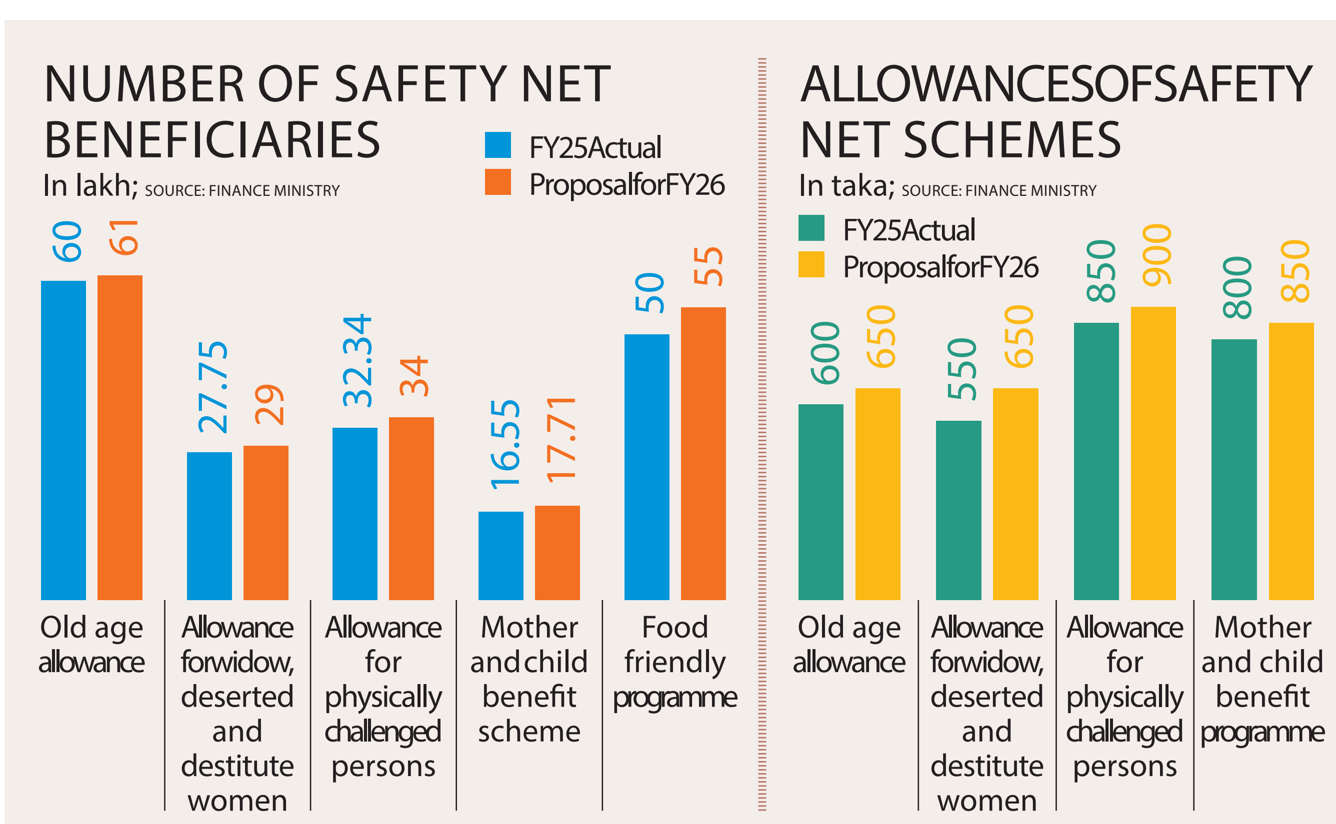
Wider safety net to cover 10 lakh more next year

Allowances, however, to increase by only Tk 50 to Tk 100



REJAUL KARIM BYRON

The government will increase the number of beneficiaries of various social safety net schemes by at least 10 lakh from fiscal year (FY) 2025-2026, but allowances will see a small increase, although poor groups have been facing stubbornly high inflation for years.

The finance ministry, after consultation with relevant ministries, has drafted a plan to increase the number of beneficiaries and the monthly allowance.

The plan will be finalised at a budget-related government meeting next month, a senior finance ministry official said.

From the next fiscal year, the monthly allowance will increase by only Tk 50 to Tk 100.

However, economists, during a pre-budget meeting with Finance Adviser Salehuddin Ahmed, suggested increasing the monthly allowance of different social safety programmes.

A recommendation from the meeting was to provide at least Tk 3,000 a month to each beneficiary under the schemes. The current allowances range from Tk 600 to Tk 800 per month.

Later, the finance adviser told reporters that they would increase the allowance to some extent, but considering the government's limited resources.

Finance ministry officials said revenue earnings of the government remained low, while it had to spend a large amount on interest payments, subsidies, and salaries and allowances. As a result, it is difficult to increase the allowances under the safety net schemes significantly.

Prof Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue (CPD), said the increase was a positive step, but still insufficient.

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Govt may ban yarn imports through land ports

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The government may stop yarn imports through land ports in consideration of the greater interests of the local textile and spinning sector, Commerce Secretary Mahbubur Rahman said yesterday.

This has been a long-standing demand from entrepreneurs in the spinning and textile sectors, who met high-ups of the commerce ministry yesterday and reiterated their request, he said.

"So, the ministry will consider the matter further and may take a decision within the next week. However, yarn imports through seaports will continue as usual," Rahman said.

At the meeting, textile millers urged the government to stop yarn imports through land ports, saying the domestic yarn sector is struggling to survive as significant quantities of the fibre are being smuggled through these ports.

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However, the leaders of the Bangladesh Garment Manufacturers and Exporters Association and the Bangladesh Knitwear Manufacturers and Exporters Association requested that yarn imports through land ports continue.

Currently, yarn imports from India are allowed through seaports and four land ports—Benapole, Sonamasjid, Bhomra, and Banglabandha.

The government allowed the import of yarn through these ports in January 2023 to meet the sudden rise in demand for fibre after the Covid-19 pandemic.

After the meeting, Bangladesh Textile Mills Association President Showkat Aziz Russell said it takes only two weeks to import yarn from India through seaports, making it a more convenient option.

When yarn is imported through land ports, which lack testing facilities, importers and exporters take advantage of misdeclaration, he said. For example, importers open letters of credit (LCs) to import two tonnes of goods but end up importing more than 10 tonnes, he added.

Russell also said that yarn worth around Tk 10,000 crore is currently stockpiled in mills as India has been dumping yarn at lower prices.